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Investigation of Transportation Services in Western Cities

March 4 - 26, 1921.

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*Report of the Committee on Local
Transportation to the Mayor and
City Council of the City of Chicago*

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Submitted July 8, 1921

Committee on Local Transportation

Ulysses S. Schwartz, *Chairman*

Bureau of Government Research

University of California
Los Angeles, California

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ACKNOWLEDGMENT

The Committee gratefully acknowledges its indebtedness to the City Officials, Representatives of Civic and Commercial Organizations and Officials of the Street Railway Companies, of the cities visited, whose generous hospitality and unreserved willingness to furnish information made the trip of the Committee instructive and pleasant.

REPORT OF THE COMMITTEE ON LOCAL TRANSPORTATION

The Committee on Local Transportation visited nine cities—Kansas City, Missouri; Denver, Los Angeles, San Francisco, Portland, Seattle, Vancouver, St. Paul and Minneapolis. In each of these cities, through the courtesy of the city officials, street railway officials and representatives of civic organizations, conferences were held with all persons interested in traction, and the traction problem of the city was discussed and compared with our local situation. We sought to develop especially the nature and character of the management of the roads, labor conditions, the service rendered, method of public control, difficulties encountered, public attitude, and solutions suggested. In each city something of unique interest and instruction was found. An analysis of the situation in the cities visited follows:

KANSAS CITY

The transportation facilities of Kansas City consist of a street railway system and a jitney organization, the latter unique in its size, organization and competitive strength,

The street railway system has 315 miles of single track and 775 cars, serving a population of 450,000 in an area of 59 square miles. The rate of fare is 8 cents cash, and tickets are sold at 7½ cents and 7 cents, depending on the number purchased. The average wage for motormen and conductors is 55 cents per hour. The Company is operating under a franchise modeled after the 1907 Ordinance of the City of Chicago. Its franchise provides for an allowance of 6% on the investment, sets up a fund to amortize the intangible values and also provides that the residue should be divided one-third to the Company and two-thirds to the City. A board similar to the Board of Supervising Engineers in Chicago was created.

The Company seems to have given special attention to what is known, in common parlance, as the "knocking down" of fares. The Receiver advised us that the Company was losing several thousand dollars daily through theft of fares and that efforts had been made to reduce the amount of the thefts, but without any appreciable result.

The service rendered by the Company was confessedly inadequate, the equipment poor, the roadbed in bad condition and the wide ruts along the tracks in some of the main thoroughfares bore witness to the Company's failure or inability to meet the paving obligations contained in its franchise.

The Company has made a special effort to utilize one-man cars. It has 95 of these cars, the majority of which are operated on light traffic lines. A few were operated on Grand Avenue, the principal street in the business district, and, while the Company had provided all extra facilities, such as front-end fare collectors, double berthing, etc., the slow loading of these cars held back the movement of the larger cars. There was also complaint against the one-man cars on the ground that they were uncomfortable, which was probably due to the poor condition of the roadbed.

After the franchise was granted by the City, a Public Utility Commission was created by the State, and assumed jurisdiction over the street railways as against the City. An increase of fares having been granted to the Kansas City Railways Company from 5 to 6 cents, the City contested the jurisdiction of the Commission, and the case was carried to the Supreme Court of the United States, which decided against the City. The fares have since been fixed as above set forth. The Company, in September, 1920, went into the hands of Receivers, and the lines have since that time been operated by them.

In December, 1918, the Company had a strike, which lasted for a period of two months. During that time the Militia was called into service, and the turmoil, riots, destruction of property and loss of life incidental to a severe street railway strike followed. The Company won, the Union was broken, and in its place a Brotherhood, fostered by the Company, was created. There grew

out of the strike the most serious problem which faces the Kansas City Railways. Many of the strikers bought automobiles and engaged in jitney service. This traffic increased rapidly and cut deeply into the Company's receipts. At the time we were in Kansas City the Company was urging the passage of an ordinance preventing the operation of jitneys. Since that time we are advised an ordinance has been passed prohibiting the operation of jitneys on streets on which street railway cars are operated.

The people of the city seemed very keenly alive to the need of solving the street railway problem. A committee of 100, representing business and civic organizations, was formed about a year ago. The Committee made an exhaustive investigation of transportation conditions and prepared a voluminous report covering various methods of financing and control. Numerous remedies were suggested, the essence of which was the establishment of the service-at-cost principle and a "flexible" rate of return on the capital invested.

DENVER

The street railway system of Denver consists of 253 miles of single track and 343 cars, serving a population of 256,000 in an area of 58 square miles. The Company is operating under a franchise which originally provided for a 5-cent fare. The rate of fare is now 8 cents cash and 7½ cents for tickets. The average wage for motormen and conductors is 58 cents per hour.

The service rendered by the Company is inadequate,, and new equipment is needed.

Denver is known as a home rule city; that is it operates under a charter from the State which gives it control over public utilities. After the passage of the Public Utilities Act, the Commission assumed jurisdiction, and litigation between the City and the Public Utilities Commission followed. The Court sustained the power of the City of Denver to control its public utilities. An amendment to the franchise ordinance passed by the City Council increased the rate of fare from 5 to 6 cents. The present Mayor ran for office on a 5-cent fare issue, and after his election the amendment was repealed and a 5-cent fare restored. Upon the repeal of the amendment the Street Railway Company reduced the wages of its employees, and a very bitter strike followed. During the strike the Company suffered severe financial loss; about 10% of its cars were destroyed, and many people were killed. Federal troops were called in, the strike was broken, and the Company's employees are not now unionized.

Within a month after the strike another ordinance was passed by the Council amending the franchise and allowing an increase in the franchise rate of fare to 6 cents. At this time the Council prepared two plans, to be submitted to a referendum, for the solution of the Traction problem; namely, a service-at-cost proposition and an "elastic fare" plan. Both of these were defeated.

Last fall the Company went into the hands of a Receiver on the petition of one of its creditors, and, at the time we were in Denver the Receiver had presented a petition to the Federal Court seeking to restrain the City from interfering with the collection of a 10-cent fare. We understand that an order has since been entered by the Federal Court which allows an 8-cent fare. The City is contesting the validity of this order.

Street railway traffic in Denver seems to have suffered more from the increasing use of private automobiles than any city we visited. This was probably due to the unusually good condition of the paving in the city and on the highways surrounding Denver.

No general movement toward the solution of the street railway problem, such as was exhibited in Kansas City, was apparent in Denver.

LOS ANGELES

The transportation facilities of Los Angeles are furnished by two companies, the Los Angeles Street Railway Company and the Pacific Electric Company. The former company, which is owned and controlled by one man, H. J. Huntington, furnishes practically all of the local service, and the latter

is a very large interurban system connecting the city with all of the smaller cities in southern California.

The Los Angeles Street Railway Company operates 389 miles of track and 817 cars.

The fare on the City Lines is 5 cents, and on the Pacific Electric 6 cents, within the city proper. The wages average 54 cents per hour for motormen and conductors. The service and equipment are fair.

The total passenger revenue of the Los Angeles Street Railway Company for the year 1920 was \$8,982,722, and its total operating expenses \$7,246,683. The operating expenses included the payment of between 4 and 5 per cent of the gross receipts to the State of California as a tax.

There are two Utility Commissions—the California Railroad Commission, which corresponds to the Public Utilities Commission of other States, and the local Board of Public Utilities, created by the franchise grant to the Street Railway Companies. There has been no jurisdictional dispute between these Commissions. The most striking thing in Los Angeles was the fact that the Management of the Roads, the Board of Public Utilities of the City, and the California Railroad Commission were acting in harmony.

Plans for re-routing of cars prepared and recommended by the City's Board of Public Utilities were put into effect by agreement and this resulted in a large saving in operating expense, enabling the Company to meet increased wages and costs. By reason of a subsequent increase in wages, the Company is now seeking an increase in fares, claiming that the present return is inadequate.

The Company has in operation 45 one-man cars on the outlying lines. Jitneys are prohibited by city ordinance.

A semaphore signal system, automatically operated, controls traffic in the business district. This system has worked successfully, and its use is being extended.

At a number of crossings, the turning of traffic to the left has been prohibited. This, also, we were told, has facilitated the movement of traffic in the congested district.

SAN FRANCISCO

The transportation facilities of San Francisco consist of two systems of railways, one the Municipal Street Railway, owned and operated by the City, consisting of 63 miles of track and 197 cars, and the other, the United Railroads, consisting of 255 miles of track and 660 cars.

As nearly as can be determined, the population served by the municipal system is 150,000, and by the private system 356,000. The total area of the city is 42 square miles. The rate of wages for motormen and conductors is 62½ cents on the municipal system and averages 58 cents on the private lines.

The Municipal Street Railway—

The equipment, tracks and roadbed of the municipal system were found to be in excellent condition, the average age being about five years. There can be no question as to the character and efficiency of the management of the municipal lines, and that the service rendered is satisfactory. To all appearances, so far as the Committee could find, the lines were operated without political influence.

The rate of fare is 5 cents, and the transfer business is negligible. There are about five points where transfers are made to the privately owned lines, and the municipal lines receive 40% of the fares in case of transfer.

One of the outstanding features is the operation of the municipal railway through the Twin Peaks Tunnel, 2¼ miles long. The cost of the tunnel construction was assessed against the property benefited east and west of the portals, and as a result the people who live west of the tunnel can reach the center of the city in 25 minutes, where formerly it required 45 minutes.

The Street Railway System is a part of the Department of Public Works of the city, and is managed by the Board of Supervisors through the City Engineer and Superintendent of Railways.

We inquired into two charges made against the municipal system: that the City had taken over the best paying lines and rejected the lines which were a burden, and that the system was not profitably operated.

The City Engineer, Michael M. O'Shaughnessy, vigorously denied both of these charges. In answer to the first, he said that the lines had been acquired as franchises expired, without choice on the part of the city, except as to Market Street, where the City had placed its tracks on either side of the private system. As to the second question, Mr. O'Shaughnessy stated that it had been their object and purpose to maintain very heavy depreciation and other reserve funds, in order to insure adequacy of service at all times. The depreciation and accident allowance was 18%, and after making this extremely liberal allowance, the Company showed a loss of \$6,350 for the year ending June 30, 1920. This, however, does not take into account the taxes or insurance which the lines would have to pay, if privately operated. These taxes are estimated at \$231,446. To offset this, the Municipal System retired since the year 1910, \$698,300, of its indebtedness, has accumulated \$2,263,000 in its depreciation and accident funds, and has made over 12 miles of extensions out of earnings at a cost of \$1,188,000. The legal and general administrative expenses are borne by the City.

The United Railroads of San Francisco—

This private system is composed of about 24 independent companies, whose franchises expire at various periods.

The mileage is about 255, and the maximum number of cars in operation is 660, serving about 350,000 people. These lines were rebuilt after the earthquake and fire of 1906, and the present expenditure for maintenance is about \$1,500 per mile. The wages paid motormen and conductors is 58 cents per hour. The fare is 5 cents, and the transfer ratio is about 33%. The roadbed and equipment is not in good condition.

The Company has recently been reorganized, resulting in the writing off of a large portion of the stock liability and at the same time reducing the bonded indebtedness to such an extent as to eliminate about \$1,000,000 a year in fixed charges. This reorganization has placed the Company in a much more secure financial condition.

The cost of power is 50% greater for the private concern than for the municipal system by reason of the fact that the state laws of California permit power companies to sell power at any rate they may fix to a municipality or for municipal operation, the difference being made up in rates charged to other consumers.

The Company is operating at a loss at the present rate of fare. Taking in comparison the cost of operation in San Francisco with other cities, it should be noted there is no heating of cars and also freedom from snow and ice, both of which items entail heavy expense in cities of less temperate climates. On the other hand, the very heavy grades add to the difficulties of operation and increase the power consumption.

The passenger traffic center in San Francisco is at the foot of Market Street, where the Tramsbay Ferries dock. This causes unusually heavy demand for service between the Ferry and retail district, and also the outlying parts of the City. In order to share in this business, the Municipal Railway Company obtained rights to build additional tracks on Market Street on the outside of the existing tracks of the United Railroads Company. This situation presents objectionable operating conditions as affecting the safety and convenience of the travelling public. The use of track is not evenly balanced on each pair of tracks; the outside tracks of the Municipal Company carrying a lesser number of cars than the inside lines, adding to the difficulty of the patrons of the private lines to board quickly and safely. The police department, as well as the companies, use all means available to assist

in rapid movement of the cars on this thoroughfare; using lights for traffic signals, front-end collectors, and a fair force of policemen and street car supervisors, whose duties are given entirely to traffic movement.

PORTLAND

The lines of the Portland Railway, Light and Power Company are operated under a 25-year franchise with a provision for purchase by the City. The Company operates 197 miles of track and 543 cars. In addition the Company also operates 110 miles of interurban lines serving a territory of over 800 square miles. The area of the City of Portland is about 63 square miles and its population is 254,000.

The service is regulated by the City Council, and the Public Utilities Commission of Oregon exercises jurisdiction over rates of fare as well as service.

The State and City Officials were apparently co-operating in their efforts to obtain good service at the lowest possible rate. The Mayor advised us that matters relating to improvement of service are discussed in an open manner with the Company officials and acted upon after investigation.

The Railway Company of Portland is required to pay City Bridge tolls. On one bridge the toll is 3 cents per car.

The rate of fare is 8 cents cash with tickets at 7.5 cents and 7.3 cents depending upon the number purchased. About 25% of the total rides are transfer passengers.

In order to distribute loading, the Portland Railway Company operates limited service on its more important lines which scheme is apparently quite a success.

The Railway Company recently offered to its employes, patrons and the Portland citizens especially, an issue of five year 8% gold notes. These notes could be had in small denominations and provisions were made for purchase on a partial payment plan. We were advised that a large number of employes of the Company subscribed for these notes.

SEATTLE

With the exception of 30 miles privately operated, Seattle owns its entire street railway system consisting of 580 cars and 231 miles of track. The area of the City of Seattle is 94 square miles, (35 of which are water) and its population is 316,000.

During the war one of the largest ship building plants on the Western Coast, or in the United States, was located at Seattle, and the question of transportation of employes to and from the plant was a problem which taxed the capacity of the street car company.

In February, 1919, when the management of the plant was very much concerned about the question of transporting shipyard employes, and the Seattle Electric Railway Company seemed unable to provide the sort of transportation that was necessary, a threat was made to the Mayor and the City Council that unless the transportation system was made more satisfactory the ship-building contracts would be taken away and the work completed in other plants.

Mayor Ole Hansen took the matter into his own hands largely and forced the City Council to sit in while he made a deal with the owners of the street railway which resulted in the purchase of the transportation system on March 1, 1919, for the sum of \$15,000,000 for the entire system. No detailed valuation was made. An appraisal made by one Whipple, subsequent to the acquisition by the City, placed the value of this property at \$7,843,000.

A general feeling exists among the people of Seattle, as well as those in close touch with the situation, that the price paid was several million dollars in excess of fair value.

The people in Seattle are not of one accord as to the probable termination of this situation, but it seems to be certain that under the plan of purchase

it will not be possible for the City to pay for the property. Friends of Ole Hansen claim that the price was all right, while the present Mayor, who was formerly the Corporation Counsel, takes the position that the City could have acquired the lines without the payment of one cent had they gone about it in the right way, and he is still of the opinion that there would be some chance of obtaining the lines in spite of the existing contract, if a proper suit were brought, but in this position he is not supported by the City Council.

Beginning with April, 1920, the City is required to pay as annual interest the sum of \$865,658. (diminishing about \$34,000 each year as the principal sum is reduced), and this sum is required to be in the hands of the City Treasurer 30 days prior to the date of payment. As it was not possible to accumulate this sum from the earnings of the railway, the city borrowed from the Corporate fund enough money to make the required payment and this caused a tax payer to bring a suit to prevent this use of the corporate fund. The case had not been decided when we were there.

The first payment on the purchase price in the sum of \$833,000, (being one-eighteenth of the \$15,000,000, the purchase price), falls due in October this year, and the City Administration seems very much concerned over the proposition of where this money is coming from, for it is thoroughly apparent that at the present rate of fare, namely 10 cents a single ride, or three for a quarter, funds would not be available for any portion of it. In fact, the Municipal Railway will do well to pay back to the corporate fund the money borrowed for the purpose of paying interest on the bonds last Spring.

When asked whether it would not be possible to charge a flat 10 cents fare and thus accumulate the money to meet these obligations, the Mayor replied that in his judgment it would cause so many people to cease using the lines for transportation as to reduce the earnings rather than increase them, basing his opinion on the experience they had when they raised the fare from 6¼ cents to 8 1/3 cents on the first day of January, 1921. He stated that many people would walk and some would change their places of residence and others would employ other means of travel, not so much because of the amount of the raise as because of the fact that car riders rebel against a fare of that amount.

During the month of August, 1919, nearly 12,000,000 passengers were carried, while in August, 1920, not quite 10,000,000 were carried, the difference for the month of August in the two years being exactly 1,978,163, which gives some idea of the effect the closing of the shipyards had upon street railway traffic.

The total receipts from all sources of the car lines for the year 1920 were \$5,451,000.

Estimated Annual Disbursements

Vacations of Employes per Year.....	\$ 100,000
Depreciation	676,987
Fixed Charges	865,658
Maintenance of Track and Equipment.....	1,200,000
Power	591,448
Wages after Deducting Item of Vacations, above.....	2,943,227
Annual Cost	6,377,320
Annual Retirement of Bonds.....	833,000
Total	\$7,210,320
Total Sum to be Paid in 18 Years.....	\$129,785,760

It is therefore perfectly apparent that if the Seattle Municipal Railway is to meet its obligations in 18 years, it will have to have more than five million and a half total receipts annually.

When the City took over the lines it took over all the employes as well, except the management and attorneys. The City Council selected its own superintendent paying him at the rate of \$5,000 annually. Legal matters are handled by the regular force of the City Attorney's office.

It should also be taken into consideration that other items of expense, ordinarily charged to the operation of the street railways, are paid for out of the general corporate fund, such as expense in the purchasing and engineering departments, and an item of \$182,000 in the street department for cleaning and repair of right-of-way, together with certain items of overhead.

The employees are all under Civil Service and are therefore given two weeks vacation with pay as is the case with all city employees in the City of Seattle. One month after the City took over the lines it raised the wages for motormen and conductors from 48 cents and 50 cents per hour to 56 cents per hour and in the following October wages were again raised to 65 cents per hour, which is the present rate.

Seattle lines are operated on an open shop basis so far as temporary employees are concerned, all others are under civil service, and the benefits under civil service, such as vacations, apply only to those who have worked one year.

While it is the plan to let the superintendent run the street cars with a free hand, yet it came out in a discussion of the situation in the office of the Mayor that the City Council had the right, and exercised that right whenever it saw fit, to direct when and where cars should run, and if in the opinion of the Council the number of cars should be increased on a certain line, it was in a position to cause a change to be made and cars to be supplied in any manner it saw fit. So to this extent the management is in the hands of the City Council.

Mayor Caldwell, however, said that he was for Municipal Ownership, and it was not fair to use the Seattle attempt as conclusive proof that it was a failure.

VANCOUVER

The City of Vancouver, with a population of 150,000 has a transportation system consisting of 102 miles of single track and 205 cars. It is operated by the British Columbia Electric Railway Company. The fare charged is six cents, and tickets are sold six for 35 cents. Wages of conductors and motormen average 65 cents per hour.

The Company now has an application pending for an increase in fares.

The City Administration and the Company were working in complete harmony.

ST. PAUL AND MINNEAPOLIS

The Twin City Rapid Transit Company operates the street railway lines in the Twin Cities and also the suburban lines radiating from them.

This Company operates 368 miles of track in these cities, with 951 cars. The population served is 660,000 and the combined area of the municipalities is 103 square miles.

The rate of fare charged at time of our visit was 6 cents. The existing franchise in Minneapolis provided that minimum fare should be 5 cents, while the franchise in St. Paul provided that the maximum fare should be 5 cents. On a referendum vote the people of St. Paul authorized the City Council to change the fare, fixing 7 cents as a minimum. After investigation and the preparation of a tentative valuation a temporary rate of 6 cents was granted. The Council in Minneapolis later authorized the Railway Company to charge 6 cents in that City with 7 cents as the maximum fare.

A standard of service was established at the time the change in fare was considered and it was based upon the average number of passengers carried per car mile operated. In determining the rate of fare the Company was authorized to charge 7 cents provided no more than $6\frac{1}{2}$ passengers per car mile were carried. It was found that the available equipment was insufficient to meet this standard of service and finally a 6 cents fare was granted with a standard of $7\frac{1}{2}$ persons per car mile which rate was to remain in effect until the service could be increased to meet the $6\frac{1}{2}$ passenger standard.

The service furnished was unusually good considered from the point of view of loading, and the condition of tracks and equipment was probably the best seen in any city visited by the Committee. There were no one-man cars in operation.

At the time the Committee visited the Twin Cities there was pending in the Minnesota Legislature a bill providing that the state should have control over rates of fare and the local authorities should be charged with service regulation.

SPOKANE

(Alderman Guernsey, at the request of the Committee, visited Spokane, Washington, and submitted the following report).

The traction system in Spokane, Washington, is owned by two distinct companies—one, the Washington Water Power Co., owning 87 cars; and the other, the Spokane Electric Railway & Power Company, also called the Traction Company, owning 45 cars. All cars in Spokane have been made over into one-man cars. The fare is six cents. The population of the city is 104,000.

The two lines are competitors, but do not have any great rivalry, because they are so laid out as not to interfere materially with each other. According to the statement of the President of the Washington Water Power Company, Mr. W. E. Coman, the value of his company is four and a quarter million.

Both companies have applied for an 8-cent fare, but the Mayor of the City took the position that, while the companies made only 3% on the value of their traction properties, they were profiting in other lines, that is, the furnishing of power, heat and light, and the earnings from all sources yielded about 7%. The position of the companies was, that each individual branch of their business ought to yield a fair return.

The maximum wages for the men after several years of employment is 58 cents, which scale has been in effect since November 1, 1919.

The Washington Water Power Company earned 3% on its book value. Forty per cent of its expense is wages and five per cent damages. The cost of electricity is charged at 6 mills per kilowat hour.

The Traction Company furnishes a great deal of power to the Chicago & Milwaukee Railway Company on its electric lines and controls large power plants in the vicinity of Spokane.

CONCLUSION

The foregoing analysis of the traction problem in other cities shows that the difficulties confronting Chicago in the solution of its traction problem are not peculiar to our city. They are the difficulties presented to all large cities in finding the proper method of financing street railways and in creating the most efficient agency to manage and control them. Of course, our local problem has its own special complications, but Chicago is in a better position today to solve its transportation problem than any of the large cities of the United States. All that is necessary to this end is the sincere and earnest co-operation of all public officials and public spirited citizens interested in the traction question. As long as plans for the solution of the traction problem are set forth merely as a means to a political end, and monopolized as a special virtue of any political organization, the people of Chicago will be without relief from the present intolerable traction service.

Certain general conclusions may be drawn from the observations of the committee. These are:

1. The present method of private ownership and operation qualified by public regulation has resulted in a division of control among numerous governmental and private agencies, and has led to confusion, wasteful litigation and ultimate disaster, as evidenced by the experience of Kansas City and Denver.

2. The operation of the street railway lines by the municipality of San Francisco has proven satisfactory to the people of San Francisco.

3. The acquisition and operation of the municipal railways of Seattle has not proven satisfactory.

4. Rates of fare are necessarily determined by the character of service rendered, quality of management, and the cost of financing, and the lowest rate of fare compatible with the best service can be secured only by the most efficient management and the most economical financing.

5. The most efficient management can be had only by unified and concentrated control and management of the street railways, and the most economical financing by the issuance of securities that will absolutely assure payment of principal and interest.

RECOMMENDATIONS

We recommend that a sub-committee be appointed to make a study of the Traction Bills proposed in the recent session of the Legislature and to take suitable action in the event of a special session, and to make further study and recommendations to facilitate the solution of the traction problem, and, further, that the sub-committee be authorized to engage such legal and other services as may be necessary for this purpose.





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